



July 7, 2022

*Via Electronic Mail*

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, D.C. 20551

Re: Structure Reporting and Recordkeeping Requirements for Domestic and Foreign Banking Organizations (FR Y-6, FR Y-7, FR Y-10, and FR Y-10E; OMB No. 7100-0297)

To Whom it May Concern:

The Bank Policy Institute<sup>1</sup> appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System to revise the Structure Reporting and Recordkeeping Requirements for Domestic and Foreign Banking Organizations (FR Y-6, FR Y-7, FR Y-10, and FR Y-10E; OMB No. 7100-0297).<sup>2</sup> One key aspect of the proposal is the proposed change to the definition of “control” in the glossary of the FR Y-10. While we are supportive of definitional alignment across reports and with the final rule on control,<sup>3</sup> we have concerns with the proposed implementation timing of the proposed change and believe there are other aspects of the definitional change that require clarification. We are also supportive of the Federal Reserve’s efforts to create an electronic process for FR Y-6 reporting; however, the proposal and supporting documents do not provide clear guidance on how these new processes and data sourcing for the corresponding reconciliations will function and additional details will be required to implement these revisions. Our comments contained herein also include other recommendations and requests for clarification related to the proposed revisions to the FR Y-10 and FR Y-6 reports.

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<sup>1</sup> The Bank Policy Institute is a nonpartisan public policy, research, and advocacy group, representing the nation’s leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation’s small business loans, and are an engine for financial innovation and economic growth.

<sup>2</sup> 87 Fed. Reg. 27639 (May 9, 2022).

<sup>3</sup> 85 Fed. Reg. 12398 (March 2, 2020).

**I. Proposed change in the definition of “control” in the FR Y-10.**

**A. The effective date for the proposed change in the definition of control on the FR Y-10 should be extended to September 30, 2023.**

The proposal would revise the definition of “control” in the FR Y-10 to be in line with the Federal Reserve’s final rule on control and other reporting forms. Alignment and consistency across reporting forms is beneficial and improves efficiency in reporting processes, and we are supportive of this alignment. The FR Y-10 form is used to report changes in the organizational structure of bank holding companies (BHCs), savings and loan holding companies (SLHCs), U.S. intermediate holding companies (IHCs), member banks, Edge and agreement corporations, and to the U.S. operations of foreign banking organizations (FBOs). These changes include, but are not limited to, acquisitions, sales, or liquidations of interest in BHCs, IHCs, SLHCs, FBOs, banks organized under U.S. law, and savings associations, and the concept and definition of “control” is a central aspect of FR Y-10 reporting.

While firms have conducted reviews and made the necessary changes to comply with the final rule on control as of the April 2020 effective date in other areas and business lines as required, such updates need to be adapted for the purposes of the FR Y-10 in accordance with the proposed revisions. Therefore, in order to incorporate the revised definition of control into the FR Y-10, firms need to make technology changes to review, source, and compile data related to business relationships, business terms, employee interlocks, and contractual powers, as well as perform total equity calculations to make sure the new definition of control is applied appropriately on the report. Such updates, reviews, and data sourcing are time consuming processes, particularly with respect to performing total equity calculations, which involves and could be impacted by many different components. One component of the calculation includes reviewing GAAP financials, which is not currently a part of the FR Y-10 reporting process for firms. Additionally, once firms have determined that they can appropriately source the necessary data, they must then adjust internal policies and change databases to create new fields to collect and validate the relevant information for the purposes of FR Y-10 reporting. These adjustments to current reporting processes, necessitate the modification of reporting controls and data governance procedures. All of which will need to be tested to make them operational and fully compliant prior to the effective date. The proposed September 30, 2022, effective date leaves firms with insufficient time to make these necessary systems and governance changes.

In light of the impact of the proposed change in the definition of control for purposes of the FR Y-10 and the necessary changes to technology and reporting processes to incorporate the revisions, as well as the related areas requiring clarification discussed in Section I.B, we recommend that the effective date for these revisions be extended to September 30, 2023. At a minimum, firms will require at least 6 months for implementation following receipt of final forms and instructions.

**B. Confirmation is needed that the proposed change to the definition of control on the FR Y-10 is intended to be applied on a go forward basis following the effective date of the revisions and would not need to be applied retroactively.**

As noted above, the proposal states that the definition of control in the FR Y-10 will be changed to align with the final rule on control and this change will have an effective date of September 30, 2022. While the proposal and instructions do not explicitly note how the change should be applied, the proposed short implementation timeline of only a few months following the close of the comment deadline leads us to believe that firms would apply the new control definition prospectively to new equity investments onboarded following the effective date of the changes. If the revised definition were

to be applied retroactively, it will require firms to go through all of their existing equity investments' legal documents to determine if they meet the new control definition.

Retroactive application of the new definition of control would monumentally increase the burden associated with the revision as firms would need to review all previous events to determine proper application of the revised definition. Such a reevaluation for all existing entities, which are voluminous for many respondents, would require additional implementation time significantly above the delay requested herein. The labor-intensive process of retroactively applying the revised definition of control far outweighs the benefits, as the FR Y-10 is an event and transaction driven form that is only submitted within 30 days of organizational structural changes. Requiring firms to retroactively apply the revised definition would also result in hundreds or thousands of hours spent reviewing prior events, which may no longer be relevant. As discussed in Section I.A, the proposed change would require extensive reviews and technology updates to appropriately source and incorporate the revised definition of control into FR Y-10 reporting and retroactive application would exponentially increase the volume of data for which these reviews and updated processes are needed.

Additionally, the FR Y-10 is not referenced the final rule on control and related guidance from 2020, and the Federal Reserve is just now, two years later proposing to revise the glossary of the reporting instructions to reflect the revised definition of "control." Taken together with the truncated proposed implementation timeline, this also seems to indicate that the application of this change to the FR Y-10 should occur on a prospective basis.

We therefore request the Federal Reserve confirm that the proposed changes to the definition of control on the FR Y-10 are to be applied on a prospective basis following the effective date of the revisions and would not be required to apply retroactively.

## **II. The Federal Reserve should permit electronic options for recordkeeping and signature requirements of the FR Y-10 and FR Y-6 reports.**

As noted in the proposal, the FR Y-6 and FR Y-10 reports do not currently contain recordkeeping requirements. The proposal would revise the FR Y-6 and the FR Y-10 instructions to require respondents to maintain in their files a physical copy of the manually signed FR Y-6 and FR Y-10 reports for three years following submission. Given the number of FR Y-10 reports filed to update organizational structure throughout a year, there are significant costs and burden associated with maintaining hardcopies of the FR Y-10 report. Understanding the desire for respondents to maintain records of prior filings, firms should be afforded the flexibility to maintain the FR Y-10 "hardcopy" in electronic form. Such a change would significantly decrease the burden on respondents while providing the recordkeeping sought by the Federal Reserve in the proposal. Additionally, the proposal would shift FR Y-6 reporting to a largely electronic process, where firms are to use the secured system to verify and reconcile discrepancies, so it is unclear as to how firms would be expected to maintain hardcopies of this electronic FR Y-6 "submission."

In recent years as a result of the COVID-19 pandemic, the agencies have permitted firms to use electronic signature in lieu of ink or wet signatures (i.e., signing a document by hand using a pen) to fulfill signature requirements provided the institution follows the appropriate governance procedures for collecting and retaining electronic signatures.<sup>4</sup> As remote work remains more prevalent, a modernized signature requirement that permits electronic signatures would help reduce the regulatory

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<sup>4</sup> See FFIEC, Supplemental Instructions March 2022 Call Report Materials, *available at* [https://www.ffiec.gov/pdf/FFIEC\\_forms/FFIEC031\\_FFIEC041\\_FFIEC051\\_suppinst\\_202203.pdf](https://www.ffiec.gov/pdf/FFIEC_forms/FFIEC031_FFIEC041_FFIEC051_suppinst_202203.pdf).

burden associated with obtaining physical signatures and would be consistent with the option for FR Y-10 reports to be submitted online via a transactional system. Permitting electronic signatures would also be consistent with the Federal Reserve's proposed revisions to the FR Y-6 and FR Y-7 contained in the proposal that would implement electronic submissions in lieu of paper or PDF filings.

We therefore recommend that the instructions be revised so that for FR Y-10 and FR Y-6 reports filed electronically, firms will retain copies electronically for three years, consistent with the proposed recordkeeping requirements, and made available upon request. We further recommend that the Federal Reserve permit firms to use electronic signatures in lieu of ink or wet signatures on FR Y-6 and FR Y-10 submissions.

**III. Report items 2.a "Organization Chart" and 2.b "Domestic Branch Listing" should be eliminated from the FR Y-6 report.**

The proposal would revise item 2.a, "Organization Chart," of the FR Y-6 to modify how reporters submit their organization chart. Specifically, reporters would no longer be required to submit a hard copy of their organization chart, as the Federal Reserve is proposing to implement an electronic system for reporters "to access their organization chart securely and reconcile their structure data."<sup>5</sup> Similarly, the proposal would decommission the existing branch verification website, listed in report item 2.b of the FR Y-6. Instead, reporters would access their domestic depository institutions and their branches and Edge and agreement corporations in a secure system "to reconcile any discrepancies."<sup>6</sup> The draft instructions related to this change to report item 2.b state that reporters are "required to verify and reconcile the domestic branch report(s) against the actual head office and branch locations of its fiscal year end."<sup>7</sup> We are supportive of the Federal Reserve's efforts to establish efficiencies through simplifying and streamlining the FR Y-6 to encourage burden reduction; however, the proposal does not specify how this will be accomplished and the requirement to reconcile the data may be heavily burdensome and unnecessary as the data requested in report items 2.a and 2.b of the FR Y-6 is already provided to the Federal Reserve through other regulatory reports.

The proposed revisions to report items 2.a would establish a separate process for firms to pull data from their organizational charts and report it in another format outside of the chart itself. Currently for Item 2.a, firms simply submit a full point-in-time PDF copy of an organizational chart to the Federal Reserve, so there is no need for a formal reconciliation process following submission. Under the proposal, firms would now need to enter data electronically, reconciling data within the Federal Reserve's computer system, which has the potential to complicate the existing process.

The manner in which the Federal Reserve will be sourcing the data in the new electronic system for the purposes of firms' reconciliation and verification are not defined in the proposal. The reconciliation of reporting items is generally a difficult and time-intensive task for firms that can be exacerbated if the information that is being reconciled is out of date or incorrect as a result of unprocessed reports and processing errors. For example, the current FR Y-6 branch listing (item 2.b) is made available early to mid-January for firms to review. However, year-end has the largest volume of activity, particularly for those firms with large branch networks, and FR Y-10 reports that contain these changes are not required to be submitted until the end of January. This timing difference creates

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<sup>5</sup> 87 Fed. Reg. 27639 at 27640.

<sup>6</sup> Id. at 27641.

<sup>7</sup> Federal Reserve, DRAFT FR Y-6 Instructions 2022 Proposal, at 9, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%20Y-6%20Draft%20Instructions.pdf>.

additional burden and would effectively require firms to duplicate reporting as the timing of the branch listing in the FR Y-6 would not include data from FR Y-10 reports filed within established deadlines. This situation would be compounded if similar timing issues are experienced for entities on report item 2.a. under the proposed new electronic system or if there are processing delays or data entry errors made by Federal Reserve staff inputting data.

There are additional nuances that could result in different data contained in firms' internal systems and the Federal Reserve databases that can also add to reconciliation burden. For example, with respect to joint venture and subsidiary interests, for one report these entities may be reflected in a reporter's tier even though the relationship was not reported to the Federal Reserve (e.g., public welfare investments exemption from FR Y-10 filing). Without greater clarity on these reconciliation processes, particularly the specific sources of the data to which submissions must be reconciled within the new electronic submission, the proposal has the potential to increase the occurrence of these types of issues. These challenges diminish the benefits of an electronic system, such as efficiencies and streamlining, and therefore the burden of implementing a change has to potential to outweigh the benefit. In the absence of details on data sourcing and logistics of the proposed electronic system, ascertaining impact and evaluating burden reduction of the proposed changes to the FR Y-6 are difficult to substantiate.

In addition to the potential issues associated with reconciliation, the data provided in report items 2.a and 2.b is currently available to the Federal Reserve on an event driven basis from the FR Y-10 submissions and the tools needed to create organization charts (e.g., FFIEC National Information Center) are accessible to fulfill supervisory needs. While some Reserve Banks made the FR Y-6 available to the public, public needs would nevertheless be met in the absence of report items 2.a and 2.b, firms' organization charts are available through the FFIEC's NIC website. We therefore recommend that the Federal Reserve remove the information collection Items 2.a and 2.b from the FR Y-6.

However, if the Federal Reserve does not accept our recommendation and if ensuring data quality and the timeliness of reporting is the primary goal of these report items, we suggest creating automated tools to allow ad hoc reconciliation between internal systems and Federal Reserve databases for all FR Y-10 reported data. While functionality exists to download reported FR Y-10 data and organization charts, the file formats are cumbersome and outdated.

Additionally, further clarification is needed with respect to the sourcing of data for the purposes of reconciliation for the new FR Y-6 2.a and 2.b electronic submissions. For example, the proposal notes firms are required to perform a reconciliation to the reportable entities provided by the Federal Reserve. If a reporter answers "Yes" for report item 2.a to indicate having changes from prior year's submission and correctly filed a FR Y-10 report during the year, it would seem there should be a reconciliation between the reporter's entity listing and that of the Federal Reserve.<sup>8</sup> Confirmation is needed that the reporter in this instance would not be obligated to provide any listing of reportable entities or submit a listing of reportable entities not noted on the Federal Reserve's listing as part of the reconciliation process, but instead changes would be made in the electronic system.

#### **IV. The FR Y-6 attestation should be modified to remove the reference to supporting attachments.**

The attestation requirement included in the current FR Y-6 requires a director or official of the top-tier holding company to sign and attest that the report, including supporting attachments, are true

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<sup>8</sup> Federal Reserve, DRAFT FR Y-6 Instructions 2022 Proposal, at 7, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%20Y-6%20Draft%20Instructions.pdf>.

and correct. While the proposal would include a shift in FR Y-6 reporting to an electronic submission and would eliminate the supporting attachments, the attestation on the draft form still states that the signatory is attesting to “the Annual Report of Holding Companies (including the supporting attachments).” We therefore recommend that the Federal Reserve update the attestation language to remove the reference to the supporting attachments as they will no longer be included in the report with the proposed electronic submission.

**V. Certain aspects of FR Y-6 report item 3 “Securities Holders” and report item 4 “Insiders” require clarification or should be revised.**

**A. The revised FR Y-6 electronic submission process for report items 3 and 4 should enable functionality to allow respondent firms to download the standard template prior to submission.**

The proposal would add a standard template for report item 3, “Securities Holders,” and report item 4, “Insiders,” and would require electronic submission of these items. The proposal notes that “[s]tandardizing these items simplifies reporting this information and allows for electronic submission in lieu of paper or PDF filing. In addition, electronic filing facilitates easier data submission and faster processing and provides ready accessibility of prior filings.”<sup>9</sup> However, the proposal does not provide much detail regarding this change and how exactly this information will be incorporated into an electronic submission. Report items 3 and 4 of the FR Y-6 may be compiled and reviewed by different areas of a particular respondent firm. As such, firms need to be able to work with the report template offline, so that they can have flexibility in preparation to collect the necessary data from and perform the necessary reviews across various areas of their firm for consolidated electronic submission. We therefore recommend that the revised FR Y-6 form, and corresponding electronic submission process explicitly enable functionality to allow firms to download the standard template. The ability to download the template and begin working offline will significantly decrease the potential burdens associated these items.

**B. Clarification is needed with respect to multiple entries for one data field in report item 4 “Insiders” of the FR Y-6.**

While the draft form for FR Y-6 report item 4 has separated data items into distinct fields, insiders can have multiple occurrences for many of the data fields. Currently certain fields may contain from 1 to more than 500 entries. For example, report item (4)(c) requires firms to list names of other companies (include partnerships) if 25% or more of voting securities are held. For board members that have ownership in other companies, these insiders can have multiple entries. As such, currently an appendix is acceptable to submit for the significant volumes of entries. On the revised form it is unclear how reporters should complete the cells for insiders with a significant number of entries. We therefore request that the Federal Reserve confirm that firms will be able to submit multiple entries for one cell, because there is the potential to have multiple occurrences.

**C. Certain column headers in report item 4 “Insiders” of the FR Y- are mislabeled in the draft form and should be corrected.**

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<sup>9</sup> 87 Fed. Reg. 27639 at 27640.

In the draft form for report item 4 of the FR Y-6, the proposed report Item 4 has two columns labeled as (4)(b) and does not include a column (4)(d). This appears to be an error and the form should be revised to correct the column numbers so that one is (4)(b) and the other is (4)(d).

**VI. The instructions to the FR Y-6 related to confidentiality should be revised to reflect the new electronic filing process.**

The notice is proposing substantial changes to FR Y-6 reporting submission processes, but it does not address any changes to the instructions for requesting confidentiality as a result of the proposed revisions. The current requirements state that “[r]eporters that seek confidential treatment for specific report item responses to the FR Y-6 must divide their report submission into two parts, filed simultaneously. The separately bound confidential volume should be accompanied by a cover page marked “confidential” and include only those report item responses for which confidential treatment is requested. The public volume should include responses to all of the report items. The responses to those items for which confidential treatment is requested should indicate that the responsive data may be found in the confidential volume.”<sup>10</sup> In implementing the proposed electronic system for the FR Y-6, we encourage the Federal Reserve to ensure a robust confidentiality process is built into the system. Specifically, we recommend that the proposed automated system for the FR Y-6 have functionality to allow reporters to mark items as confidential, similar to the current process. Additionally, the reporting instructions should be revised for how to request confidentiality with the new electronic filing process.

Relatedly, within the current confidentiality request process, respondent firms submit a request for confidential treatment of the FR Y-6 report and when granting such requests, the Federal Reserve includes the following language in the relevant correspondence “[p]ursuant to 12 C.F.R. §261.17(b), a request for confidentiality in reliance upon §261.15(a)(4) generally expires 10 years after the date of the submission unless the submitter requests and provides justification for a longer designation period. The fact the 10-year period has not expired is not dispositive of whether information that you have designated confidential in reliance upon §261.15(a)(4) will be withheld. Information that may have been confidential at the time submitted may lose its confidentiality at a later time, whether as a result of the submitter’s public release of the information or other factors. The Board will provide pre disclosure notice to submitters of confidential information in accordance with §261.18(b)(1).” As this language is always referenced in the correspondence approving FR Y-6 confidentiality, we recommend that it is plainly incorporated into the confidentiality section of the reporting instructions for streamlining purposes.

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<sup>10</sup> Federal Reserve, Instructions for Preparation of Annual Report Holding Companies Reporting Form FR Y-6 (December 2016) at GEN-3, available at [https://www.federalreserve.gov/reportforms/forms/FR\\_Y-620191231\\_i.pdf](https://www.federalreserve.gov/reportforms/forms/FR_Y-620191231_i.pdf).

The Bank Policy Institute appreciates the opportunity to comment on the proposal. If you have any questions, please contact Brett Waxman by phone at \_\_\_\_\_ or by email at [brett.waxman@bpi.com](mailto:brett.waxman@bpi.com).

Respectfully submitted,



Alix Roberts  
Vice President, Regulatory Affairs  
*Bank Policy Institute*

cc: Michael Gibson  
Mark Van Der Weide  
Board of Governors of the Federal Reserve System

Benjamin McDonough  
Grovetta Gardineer  
Office of the Comptroller of the Currency

Doreen Eberley  
Harrel Pettway  
Federal Deposit Insurance Corporation